

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1856 - SB 2133

February 12, 2014

SUMMARY OF BILL: Makes several changes to the Tennessee Collection Service Act (act). The proposed legislation specifies that a “collection service” is not to include any person that engages in, or attempts to engage in the collection of notes or guarantees and provides the following entities, which collect only an individual’s or its own unpaid accounts, an exemption to being licensed or regulated by the Collection Services Board (CSB):

- Any state or national bank; state or federal mutual savings bank; state or federal savings institution, or any parent, subsidiary, or affiliate of any of the following;
- Any state or federal credit union;
- Any licensed industrial loan and thrift company;
- Any small business development corporations chartered and licensed by the Secretary of State;
- Any person that services or collects obligations secured by a consensual lien on a dwelling as defined by federal code or any successor regulations;
- Any person that holds or acquires accounts, bills or other form of indebtedness through purchase, assignment, or otherwise; and only engages in collection activity through the use of a licensed collection agency or an attorney authorized to practice law in this state.

The proposed legislation authorizes a licensed collection service agency to file a suit in its own name, on any form of indebtedness, so long as the owner or holder of the indebtedness has assigned the limited right to the collections service licensee and certain conditions are met. It also specifies that nothing prevents, in any way, the obligation in any contract, delinquent account, bills or other forms of indebtedness, nor prevent an individual’s right to purchase, sell, assign, or take by assignment any obligation, and further protects the right of an individual, not licensed by the CSB, from being denied a license, even if there exist a prior collection effort in violation of this act.

ESTIMATED FISCAL IMPACT:

On February 9, 2014, a fiscal note was issued estimating a fiscal impact as follows:

Decrease State Revenue - \$35,000

Upon receiving additional information from the Department of Commerce and Insurance, this impact was determined to be in error. Based on such additional information, the estimated impact is:

HB 1856 - SB 2133 (CORRECTED)

(CORRECTED)

Decrease State Revenue - \$17,000

Assumptions:

- There are currently approximately 800 entities licensed with the CSB.
- As a result of this legislation, the Department of Commerce and Insurance estimates that 10% or 80 businesses will no longer register with the CSB.
- The following are costs related to registering with the CSB:
 - \$150 non-refundable application fee.
 - \$600 initial registration/\$350 renewal fee and \$25 for each solicitor.
- An average of 3 solicitors per entity is assumed.
- It is assumed that this bill will only affect those businesses currently licensed with the CSB; therefore, lost Board revenue will be evidenced from an effective decrease in renewals.
- It is estimated that the CSB will experience a loss in licensure revenue of \$34,000 $\{80 \times [\$350 + (\$25 \times 3)]\}$.
- This license is biennial; therefore, it is estimated that 40 of the licensees will renew in FY14-15, and the remaining 40 businesses will renew in FY15-16, resulting in a recurring decrease in CSB revenue of \$17,000 $\{40 \times [\$350 + (\$25 \times 3)]\}$ beginning in FY14-15.
- A small increase in cases in the court system, which will result in additional state and local government expenditures for processing the cases and additional state and local government revenue from fees, taxes and costs collected. These expenditures and revenue are estimated to be not significant.
- Pursuant to Tenn. Code Ann. §9-4-5117, all regulatory boards are required to be self-supporting over a two-year period. The CSB had a deficit of \$146,216 in FY11-12, a balance of \$52,145 in FY12-13, and a closing reserve balance of \$267,652 on June 30, 2013.

IMPACT TO COMMERCE:

Decrease Business Expenditures - \$17,000

Assumptions:

- If businesses are no longer required to register with the CSB, such businesses will experience a reduction in tax-deductible business expenses of \$17,000 per year, beginning in FY14-15.
- According to the Department of Commerce and Insurance, it estimates no significant impact to commerce or jobs within this state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb